Economic Indicators

November - December 1999

Review Of Recent Economic Developments

California's economy passed another important milestone in September, as the unemployment rate fell to a 30-year low of less than 5 percent. Just a month before, in August, nonfarm employment passed the 14 million mark for the first time. Construction slowed somewhat in October, but home sales and prices continue to advance at record paces.

EMPLOYMENT

Unemployment at its lowest in 30 years

In September California's unemployment rate dipped below the 5 percent level for the first time in 30 years. The 4.9 percent September jobless rate is the lowest ever recorded according to the current unemployment estimation methodology used since January 1970.

FIGURE ONE

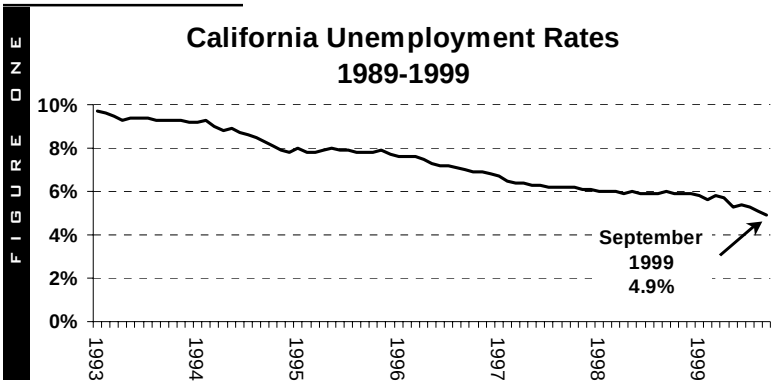
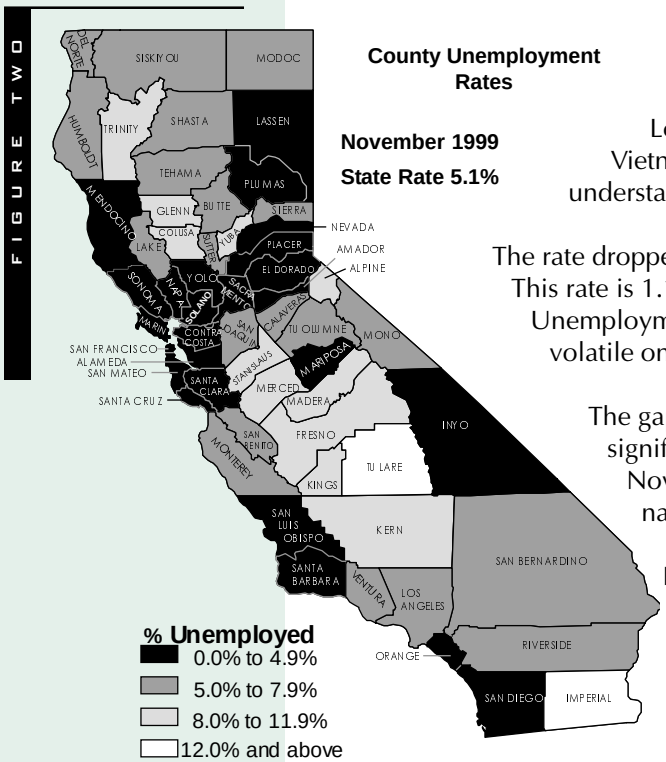


FIGURE TWO



Lower jobless rates were registered in the late 1960s, at the height of the Vietnam War, but statistical methods used at that time are believed to have understated the state jobless figure by as much as a full percentage point.

The rate dropped another 0.1 percentage point in November, falling to 4.8 percent. This rate is 1.1 percentage point below the year-earlier reading of 5.9 percent. Unemployment data are estimated from a small sample of households and can be volatile on a month-to-month basis.

The gap between the state and national unemployment rates has narrowed significantly. The gap peaked in May 1994 at 2.8 percentage points. By November 1999 California's rate was only 0.7 percentage point above the national reading of 4.1 percent.

Nonfarm employment growth has continued since surpassing the 14 million-job mark in August. Over 28,000 jobs were added in October followed by a 45,600 jump in November to bring the total to 14,113,500. Nonfarm employment is estimated from a large survey of employers and is considered to be a more reliable indicator of economic trends.

INSIDE

Growth from Computers, Construction and Consumption

Export growth, strong building activity, and swelling personal consumption are the driving forces of recent employment gains. Construction was the fastest growing major industry in November—rising 8.5 percent above the comparable year-earlier level, adding 53,400 jobs. Trade employment rose by 56,300 jobs over the year, with 14,300 at eating and drinking establishments. There was also substantial growth in auto sales and service, building and garden supply, and furniture and home furnishings.

Services added the greatest number of jobs over the year, almost 187,000 through November. Nearly half of these new jobs were in business services, paced by computer services, software and the Internet. At 7.7 percent, business services was also the fastest growing service sector in percentage terms. Impressive gains were also made in engineering and management consulting, amusement and recreation, and in social and health services.

BUILDING ACTIVITY

Every three years a comprehensive revision of statewide building codes takes place. The latest revision took effect on July 1, 1999, and is part of the explanation for a noticeable slowing of construction activity over the last several months. The code revision prompted the acceleration of some projects to June to avoid more stringent requirements. Other projects were delayed to revise building plans to satisfy the new requirements.

New Codes Blur Construction Picture

Residential construction permits dropped to 125,000 units at an annual rate in October, down nearly 6 percent from October 1998. Single-family home construction was down 8.7 percent from a year ago, while multi-family construction growth slowed to 2.1 percent.

The value of all construction permits in October decreased 7.2 percent from a year earlier. Both residential and nonresidential construction slipped—residential construction value lost 2.8 percent and nonresidential 10.5 percent.

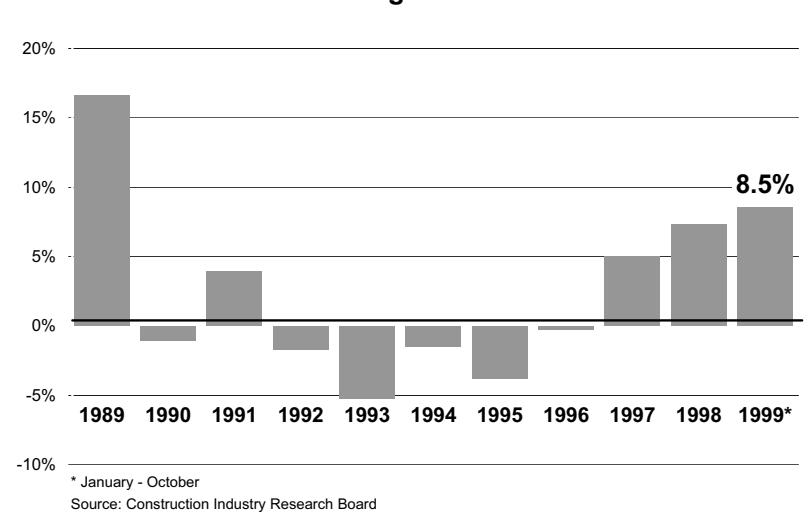
Despite the apparent slowdown indicated in the monthly figures, construction is still growing when measured on a year-to-date basis. Housing units authorized during the first 10 months of 1999 totaled 11 percent more than during the same period in 1998. Total nonresidential construction value was over 5 percent above the same period last year.

REAL ESTATE

Both existing home sales and prices fell slightly in October but are still registering significant year-over-year gains. Single-family home sales reached 674,940 units in October for an annual gain of 7.8 percent.

The median price for a single-family home dipped to $218,000 in October from September's $220,740. The October price was, however, almost 12 percent higher than the median price recorded one year ago. The average gain for the first ten months of 1999 was 8.5 percent greater than 1998's average. This is the greatest year-over-year gain since 1989.

FIGURE THREE



* January - October

Source: Construction Industry Research Board

A DECADE OF CHANGE

The 1990s represented a watershed for the California economy. The end of the decade is a good time to illustrate how the state has become more diversified, more secure and has improved its prospects for the future. Over the last ten years, the state's reliance on federal Department of Defense (DoD) spending—procurement and military bases—and the aerospace market has diminished in favor of high technology manufacturing and services, non-aerospace transportation and apparel industries.

A state's industry structure is a key to its relative success and strength. Each economy, regional, or national, is endowed with unique features—topographical, geological, climatic, and social—that give it special aptitudes for specific economic activities. The ability to specialize in areas of advantage and trade with other regions is a crucial determinant of economic growth. This suggests a framework for understanding state economies that distinguishes between export or "basic" industries and population-serving industries. Basic industries produce goods or services that are exportable—to other nations and states—and account for an above-average share of the region's output compared to the nation. While these are the engines of a region's economic growth, they are also exposed to forces from outside the state, including global and national economic conditions, interest rates, and international exchange rates.

HIGH INCOME SPECIALTIES

California specializes in agriculture, durable (electronics and aerospace), and nondurable (apparel and petroleum) manufacturing. There are also several large service exports, including motion pictures and entertainment, computer services and software, and engineering and management consulting. California households enjoy the high wages and high returns from working and investing in export-oriented industries.

For example, California firms dominate computer hardware design. Computer and computer component manufacturing is truly a global industry, with the manufacture and assembly of a single unit potentially stretching from Malaysia to Ireland. California-designed microprocessors though are at the heart of most of this equipment and up to 25 percent of the final selling price of a computer can be allocated to the design process itself.

Regional economists frequently use a ratio called the location quotient (LQ) to describe the relative importance of industries within the state. The LQ is simply the ratio of an industry's share of a state or region's employment divided by the same industry's share of national employment. Thus, if an industry accounts for 5 percent of all jobs in California, but only 4 percent nationally, the LQ would be (5 ÷ 4) x 100 = 125. An industry with the same employment share in California and the nation would have an LQ of 100. To reverse the first example, an industry with a 4 percent share in California and a 5 percent share of national employment would have an LQ of 80 (4 ÷ 5) x 100 = 80. Industries can be categorized into groups of high concentration (LQ above 110), low concentration (LQ less than 90) and average concentration (LQ of 90 to 110).

The larger the regional economy and the broader the industry definition, the more the LQs will cluster in the average range. In California's case, only two major industry sectors are outside the average range. Mining—the smallest industry sector—is below average while agriculture is only slightly above average.

It's not surprising that most major industries fall within the average range in California, given the absolute size of the state—about one-eighth of the entire nation—and its location which is relatively remote from the nation's other major population centers, most of which lie east of the Mississippi River.

FIGURE FOUR

Location Quotient of Major Sectors 1999*

	Location Quotient	Range
Agriculture	110.5	**Above**
Total Nonfarm	100.0	**Average**
Mining	40.8	**Below**
Construction	95.8	**Average**
Manufacturing	97.5	**Average**
Transportation, Communication & Public Utilities	97.0	**Average**
Trade	98.0	**Average**
Finance, Insurance & Real Estate	98.1	**Average**
Services	104.3	**Average**
Government	101.7	**Average**

*Based on first ten months of 1999.
Source: U.S. Bureau of Labor Statistics and California Employment Development Department

Manufacturing

A more detailed picture highlights California's specialties. While manufacturing in California is well within the average range, there is a wide variation among manufacturing industries. The top three durable goods industries—dominated by electronics—have location quotients averaging over 200; i.e., double the national concentration. The other transport vehicles industry would also be above average if restricted to its dominant California sub sector, missiles and space equipment.

Electronics and Aerospace

Thus, California's durable goods manufacturing industries are concentrated in electronics and aerospace, both of which are high wage, high technology, export-oriented, sectors.

Most of the remaining durable goods industries often described as 'traditional' or 'smokestack' industries—are similar to or much lower than national employment shares.

Apparel

In nondurable goods, apparel has an LQ over 200 and is one of several California success stories of the 1990s. Nationwide, apparel manufacturing is declining, especially in its traditional centers in the Northeast and Southeast. California's apparel industry—based mainly in Los Angeles—grew rapidly in the 1990s to become the largest in the nation.

Petroleum refining is another traditional nondurable industry that has an above average share in California. The state's large consumer and industrial petroleum markets are isolated both by geography and by specialized refining requirements. California is the fourth largest producer of oil among the states. These factors help explain the scale of petroleum refining in California, but in fact the state only exports to nearby markets such as Nevada and parts of Arizona. As demonstrated earlier this year, importing the state's specialized gasoline can be quite costly, given high transportation costs and a limited number of refiners outside the state that can supply the specialized feedstocks.

FIGURE FIVE

Location Quotient of Manufacturing Industries 1999*

	Location Quotient	Range
Durable Goods		
Computer and office equipment	230.1	**Above**
Electronic components and accessories	226.8	**Above**
Instruments & related products	198.3	**Above**
Aircraft and parts	155.0	**Above**
Miscellaneous manufacturing industries	114.8	**Above**
Transport equipment excl. aircraft and motor vehicles	108.8	**Average**
Furniture and fixtures	102.8	**Average**
Electronic and electrical equip. excl. Components	96.0	**Average**
Fabricated metal products	78.6	**Below**
Stone, clay, & glass products	79.7	**Below**
Industrial machinery and equip. excl. computers	71.2	**Below**
Lumber & wood products	65.6	**Below**
Primary metal industries	46.4	**Below**
Motor vehicles & equip.	33.1	**Below**
Nondurable Goods		
Apparel & other textile products	207.0	**Above**
Petroleum & coal products	145.3	**Above**
Food and kindred products	103.2	**Average**
Printing and publishing	90.9	**Average**
Leather and leather products	83.0	**Below**
Rubber and miscellaneous plastics products	68.3	**Below**
Chemicals and allied products	65.2	**Below**
Paper and allied products	55.8	**Below**
Textile mill products	41.5	**Below**

*Based on first ten months of 1999.
Source: U.S. Bureau of Labor Statistics and California Employment Development Departmen

Services

California's service sector has an average concentration overall but significant variation can be found in more detailed industry breakdowns.

Service industries are split by market orientation. While significant shares of 'export oriented' services are sold to California consumers and businesses, motion pictures, computer software, and engineering services bear more resemblance to high-technology, export-oriented durable goods manufacturing than to other service industries. However, there are also three apparently population-serving industries of particular interest in the state's economic structure:

Above Average Service Exports

- Motion picture exhibition would seem to be a purely population-serving industry. However, the need for the large national theater chains to have headquarters or at least a significant presence in Hollywood is suggestive of an exported service.
- The high share of auto repair and parking, on the other hand, mainly reflects California's mild climate (leading to an older car fleet) and stringent air quality standards, which leads to a need for more maintenance than in most other parts of the country.
- California's leadership role in adopting managed care is reflected in a below-average share of health care jobs which has led to slower growth rates of health care expenditures and employment than nationally.

Government

Overall, government's share of California jobs is slightly above the national average. Following military base closures and defense spending cutbacks, the state has a noticeably lower than average share of federal employment.

An Average Concentration

Combined state and local employment in California is very near the national average in terms of shares of total employment. However, Census Bureau data show that California ranks 50th among states in the ratio of state government employees per capita. The share of local government employment, on the other hand, is more than 10 percent higher than the national average.

FIGURE SIX

Location Quotient of Service Industries 1999*

	Location Quotient	Range
Export Oriented		
Motion picture production and distribution	527.6	**Above**
Computer and software services	135.7	**Above**
Engineering and management services	128.0	**Above**
Population Serving		
Motion picture theaters and video rental	70.0	**Above**
Auto repair, services, and parking	127.1	**Above**
Business services, excl. computer & software	117.8	**Above**
Amusement and recreation services	115.4	**Above**
Legal services	112.2	**Above**
Miscellaneous repair services	112.0	**Above**
Miscellaneous services	110.2	**Above**
Hotels and other lodging places	101.5	**Average**
Personal services	94.3	**Average**
Social services	93.1	**Average**
Educational services	88.6	**Below**
Health services	87.2	**Below**
Membership organizations	65.8	**Below**

*Based on first ten months of 1999.
Source: U.S. Bureau of Labor Statistics and California Employment Development Department

Changes in the 1990s

In California, the 1990s will be remembered as a decade of economic restructuring. The end of the Cold War brought with it massive cuts in federal defense outlays, and California bore a disproportionate share of these reductions.

FIGURE SEVEN

Location Quotient of Government 1999*

	Location Quotient	Range
Federal	91.1	**Average**
State and Local Government	103.3	**Average**
State Government	84.3	**Below**
State Educational	89.8	**Below**
State Noneducational	80.5	**Below**
Local Government	110.3	**Above**
Local Educational	111.5	**Above**
Local Noneducational	108.7	**Average**

*Based on first ten months of 1999.
Source: U.S. Bureau of Labor Statistics and California Employment Development Department

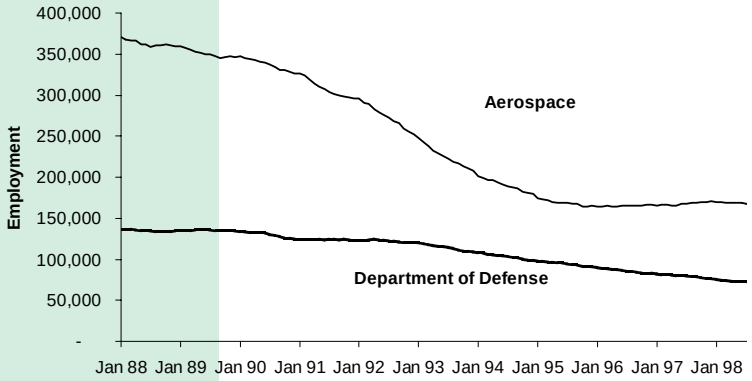
Aerospace and Defense Cutbacks

From before World War II until the early 1990s, California was home to a larger-than-average share of both military base employment (uniformed and civilian) and the aircraft and ordinance industries that sell to the Department of Defense (DoD). For much of that period, aerospace (aircraft, missiles, space and navigation) was in fact California's leading export activity, providing a large share of national defense goods and services to the rest of the nation. In the early 1990s, reductions in DoD procurement primarily affected California's aerospace industry. As the decade wore on, parts of the state began to suffer from military base closures as well. All told, the state accounted for two-thirds of the civilian and military job reductions arising from the base closure program.

From the mid 1980s peak, aerospace employment has fallen by almost 60 percent—approximately 220,000 jobs—with three-quarters of the losses in the early 1990s. Base closures claimed another 65,000 civilian jobs, representing well over one-third of late-1980s DoD jobs in the state.

FIGURE EIGHT

California Direct Employment Effects of Defense Cutbacks in the 1990s



A Rand Corporation study of aerospace layoffs indicates that approximately 80 percent of laid off aerospace workers found employment earning between 90 and 110 percent of their pre-layoff wages. (About 20 percent of laid off workers could not be accounted for in California job roles. It is assumed that most of these retired or left the state.) Adjustment costs were significant for some individuals, but most were able to apply aerospace or military base skills to other industries.

While the changes in aerospace are the most significant, many other industries have grown significantly over the decade, more than filling the void created by the defense cutbacks.

High Technology is Growing

The state's concentration in high technology manufacturing industries increased substantially over the decade. In nondurable manufacturing, the phenomenal rise of the Southern California apparel industry has significantly increased its importance.

California has also increased its share of three key export-oriented service industries. Of particular note is computer and software services where California lagged the nation in 1988 but now has a share that is considerably above average. California' dominance of the nation's motion picture industry actually increased over the past decade.

FIGURE NINE

Manufacturing LQs 1989-1999*

	Location Quotient		Change
	1988	1999	
Durable Goods			
Transport equipment excl. aircraft and motor vehicles	184.6	108.8	-75.8
Aircraft and parts	200.1	155.0	-45.1
Lumber & wood products	81.1	65.6	-15.5
Stone, clay, & glass products	85.6	79.7	-6.0
Fabricated metal products	82.8	78.6	-4.2
Primary metal industries	48.4	46.4	-2.0
Instruments & related products	200.5	198.3	-2.2
Motor vehicles & equip.	33.4	33.1	-0.3
Furniture and fixtures	99.0	102.8	3.9
Electronic and electrical equip. excl. Components	92.2	96.0	3.8
Industrial machinery and equip. excl. computers	61.1	71.2	10.2
Electronic components and accessories	205.8	226.8	21.0
Miscellaneous manufacturing industries	83.7	114.8	31.2
Computer and office equipment	198.2	230.1	32.0
Nondurable Goods			
Petroleum & coal products	155.3	145.3	-10.0
Rubber and miscellaneous plastics products	74.9	68.3	-6.6
Printing and publishing	90.1	90.9	0.8
Paper and allied products	51.7	55.8	4.1
Chemicals and allied products	58.7	65.2	6.5
Food and kindred products	94.3	103.2	8.9
Textile mill products	20.3	41.5	21.1
Leather and leather products	39.1	83.0	43.9
Apparel & other textile products	105.1	207.0	101.8

Source: U.S. Bureau of Labor Statistics and California Employment Development Department

More Stability and Growth

Overall these changes have left the state more economically secure. Aerospace industries are almost exclusively reliant on demand from the federal government, a handful of foreign governments (with federal approval), and the relatively narrow commercial aircraft market. The increased importance of high technology—hardware and services— and apparel manufacturing means that demand for California's basic industries is now derived from more diversified sources. This diversity is already providing more stability and growth potential for the state's economy. Fears that the recent Asian economic crisis would severely slow California's economic expansion proved ill founded. Surging demand for computer services, including software and the Internet, far more than offset Asia related losses in high tech manufacturing. In fact, over the past year, the computer services industry added more than two new jobs for every job lost in the combined aerospace and electronics manufacturing industries.

FIGURE TEN

Service LQs 1989-1999

	Location Quotient		Change
	1989	1999	
Export Oriented			
Motion picture production and distribution	477.3	527.6	50.3
Computer and software services	92.5	135.7	43.2
Engineering and management services	134.8	128.0	-6.8
Population Serving			
Motion picture theaters and video rental	143.5	121.8	-21.7
Legal services	128.9	112.2	-16.8
Miscellaneous services	126.4	110.2	-16.1
Miscellaneous repair services	127.4	112.0	-15.4
Amusement and recreation services	122.7	115.4	-7.3
Hotels and other lodging places	102.3	101.5	-0.9
Auto repair, services, and parking	127.9	127.1	-0.8
Business services, excl. computer & software	118.2	117.8	-0.5
Personal services	93.6	94.3	0.7
Educational services	88.3	88.6	0.2
Health services	85.9	87.2	1.2
Social services	89.9	93.1	3.2
Membership organizations	46.4	65.8	19.4

Source: U.S. Bureau of Labor Statistics and California Employment Development Department

ECONOMIC INDICATOR TABLES

EMPLOYMENT

	1999				1998	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
EMPLOYMENT (Seasonally Adjusted)						
Civilian employment (000)	15,860	15,839	15,775	15,742	15,473	2.5
Unemployment (000)	801	815	817	850	964	-16.9
Unemployment rate	4.8	4.9	4.9	5.1	5.9	--
Nonagricultural w age and salary employment (000)	14,113.5	14,067.9	14,039.6	14,017.9	13,748.8	2.7
Mining	23.7	23.7	23.7	23.8	24.6	-3.7
Construction	678.6	672.1	667.4	662.4	625.2	8.5
Manufacturing	1,949.7	1,947.5	1,953.6	1,947.7	1,960.6	-0.6
High technology a/	507.4	507.9	510.6	511.4	525.4	-3.4
Aircraft and parts	79.8	80.1	80.7	81.4	87.9	-9.2
Missiles and space vehicles	21.7	21.9	22.2	22.3	24.0	-9.6
Search and navigation equipment	53.4	53.4	53.9	54.3	56.7	-5.8
Computer and office equipment	88.1	88.4	88.8	89.2	92.0	-4.2
Communications equipment	36.0	35.9	36.3	36.2	36.8	-2.2
Electronic components	157.5	157.6	157.9	157.5	157.0	0.3
Measuring and controlling devices	70.9	70.6	70.8	70.5	71.0	-0.1
Transportation and public utilities	724.1	720.5	717.8	718.3	699.2	3.6
Trade	3,205.1	3,188.5	3,181.1	3,181.7	3,148.8	1.8
Finance, insurance and real estate	814.6	815.0	812.8	814.9	807.6	0.9
Services	4,476.4	4,464.5	4,447.0	4,439.1	4,289.9	4.3
Government	2,241.3	2,236.1	2,236.2	2,230.0	2,192.9	2.2

HOURS & EARNINGS

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average w eekly hours	42.1	41.8	41.4	41.7	42.1	0.0
Average w eekly earnings	$589.82	$584.78	$581.67	$584.22	$582.66	1.2
Average hourly earnings	$14.01	$13.99	$14.05	$14.01	$13.84	1.2

CONSUMER PRICES

CONSUMER PRICE INDEX (1982-84=100) Not seasonally adjusted						
All Urban Consumers Series						
California Average	n.a.	170.2	n.a.	169.0	n.a.	--
San Francisco CMSA	n.a.	175.2	n.a.	173.5	n.a.	--
Los Angeles CMSA	167.1	167.2	167.2	166.3	163.4	2.3
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	163.7	n.a.	162.7	n.a.	--
San Francisco CMSA	n.a.	171.2	n.a.	170.0	n.a.	--
Los Angeles CMSA	160.6	160.7	160.7	159.8	157.0	2.3

CONSTRUCTION

	1999				1998	Yr-Over-Yr
	Oct	Sep	Aug	Jul	Oct	% Change
CONSTRUCTION						
Private residential housing units authorized (000) b/	125.0	126.0	136.6	146.3	132.8	-5.8
Single units	88.8	92.2	86.4	105.7	97.3	-8.7
Multiple units	36.2	33.8	50.2	40.6	35.5	2.1
Residential building authorized valuation (millions) c/	$1,800	$1,944	$2,031	$2,079	$1,852	-2.8
Nonresidential building authorized valuation (millions) c/	$1,199	$1,393	$1,318	$1,208	$1,340	-10.5
Nonresidential building authorized valuation (millions) d/	$1,328	$1,484	$1,380	$1,389	$1,471	-9.8
Commercial	387	539	345	382	666	-41.9
Industrial	167	202	258	265	186	-10.1
Other	250	170	147	189	170	47.5
Alterations and additions	523	573	630	552	449	16.4

AUTO SALES

AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	136,829	135,137	143,781	134,590	122,811	11.4

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
b/ Seasonally adjusted at annual rate
c/ Seasonally adjusted
d/ Not seasonally adjusted
n.a. Not available

SELECT INDICATORS (CONTINUED)

VACANCY RATES

VACANCY RATES FOR 2ND QUARTER 1999
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	13.7	31.4	10.4	n.a.
Oakland-East Bay	7.7	11.1	6.6	--
Sacramento	9.0	7.0	9.7	n.a.
San Francisco	n.a.	n.a.	n.a.	n.a.
San Jose	n.a.	n.a.	n.a.	--
Southern California:				
Bakersfield	n.a.	n.a.	n.a.	--
Los Angeles	n.a.	n.a.	n.a.	n.a.
Orange County	10.4	--	10.4	--
San Diego	8.0	12.0	6.9	n.a.
Ventura County	8.1	--	8.1	--
National Average	n.a.	n.a.	n.a.	n.a.

n.a. Data not available at time of publication

HOME PRICES

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1998				1999			
Jan	$190,550	Jul	210,830	Jan	$202,370	Jul	221,370
Feb	186,420	Aug	207,780	Feb	196,838	Aug	222,948
Mar	193,910	Sep	202,138	Mar	213,490	Sep	220,330
Apr	198,250	Oct	194,961	Apr	217,090	Oct	218,161
May	202,960	Nov	199,920	May	225,480		
Jun	209,000	Dec	198,120	Jun	226,140		

LEADING INDICATORS/[A]

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.8	41.6	66,092	4,679	92.9
	Feb	4.8	41.8	56,785	4,347	124.2
	Mar	5.1	42.1	59,609	3,578	94.5
	Apr	5.0	41.9	59,107	4,061	103.3
	May	5.0	41.9	60,324	4,456	108.8
	Jun	5.0	41.9	63,124	4,405	108.7
	Jul	4.9	41.9	62,356	4,740	114.1
	Aug	5.0	42.0	62,326	4,213	114.0
	Sep	4.9	41.8	62,989	4,751	118.2
	Oct	4.9	42.0	61,242	4,681	131.4
	Nov	5.0	42.2	59,120	4,386	115.4
	Dec	5.2	42.1	58,601	4,815	109.3
1998	Jan	5.2	42.2	57,572	4,676	113.1
	Feb	5.0	41.9	60,703	4,543	116.2
	Mar	4.9	41.9	57,883	4,621	119.1
	Apr	4.5	41.1	58,845	5,275	116.1
	May	4.8	41.9	57,980	4,454	119.5
	Jun	4.9	41.9	54,154	4,777	148.3
	Jul	4.7	42.1	54,407	4,844	120.1
	Aug	4.7	41.7	53,096	4,357	135.8
	Sep	4.4	41.3	49,321	3,732	121.9
	Oct	4.7	41.8	53,693	4,617	132.8
	Nov	4.6	41.7	54,886	4,682	136.9
	Dec	4.6	41.8	54,275	4,602	129.5
1999	Jan	4.8	42.2	51,629	4,899	160.1
	Feb	4.7	41.9	53,117	5,023	144.0
	Mar	4.6	41.9	53,132	6,068	128.1
	Apr	4.7	41.9	53,377	5,371	137.1
	May	4.9	42.1	50,748	5,189	135.3
	Jun	4.8	41.9	51,006	5,621	156.3
	Jul	4.6	42.0	52,447	5,321	146.3
	Aug	4.6	41.6	49,824	5,783	136.6
	Sep	4.5	41.2	49,920	5,816	126.0
	Oct	4.8	41.6	48,707	5,534	125.0
	Nov	4.7	41.7	n.a.	n.a.	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

COINCIDENT INDICATORS/^

EMPLOYMENT, UNEMPLOYMENT

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,875	6.7	449
	Feb	12,966	1,886	6.5	410
	Mar	13,013	1,893	6.4	378
	Apr	13,074	1,900	6.4	399
	May	13,090	1,905	6.3	371
	Jun	13,123	1,913	6.3	384
	Jul	13,158	1,921	6.2	396
	Aug	13,176	1,925	6.2	375
	Sep	13,222	1,928	6.2	385
	Oct	13,261	1,936	6.2	383
	Nov	13,274	1,940	6.1	372
	Dec	13,337	1,949	6.1	381
1998	Jan	13,405	1,951	6.0	342
	Feb	13,425	1,956	6.0	362
	Mar	13,449	1,958	6.0	369
	Apr	13,487	1,959	5.9	369
	May	13,526	1,963	6.0	360
	Jun	13,555	1,964	5.9	359
	Jul	13,606	1,964	5.9	349
	Aug	13,648	1,965	5.9	358
	Sep	13,680	1,966	6.0	358
	Oct	13,717	1,966	5.9	329
	Nov	13,749	1,961	5.9	351
	Dec	13,783	1,960	5.9	351
1999	Jan	13,828	1,959	5.8	362
	Feb	13,834	1,953	5.6	367
	Mar	13,852	1,949	5.8	377
	Apr	13,882	1,950	5.7	365
	May	13,939	1,951	5.3	381
	Jun	13,967	1,950	5.4	384
	Jul	13,977	1,945	5.3	348
	Aug	14,018	1,948	5.1	358
	Sep	14,040	1,954	4.9	369
	Oct	14,068	1,948	4.9	339
	Nov	14,114	1,950	4.8	n.a.

INCOME, WAGES, TAXABLE SALES

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1995	Qtr I	737,678	85,168	72,857
	Qtr II	752,820	86,492	74,983
	Qtr III	760,687	87,799	75,964
	Qtr IV	765,892	88,762	76,901
1996	Qtr I	786,401	93,690	79,237
	Qtr II	791,576	90,948	80,184
	Qtr III	795,922	90,009	80,345
	Qtr IV	818,180	95,666	81,202
1997	Qtr I	826,792	99,871	83,079
	Qtr II	836,688	101,755	84,942
	Qtr III	849,492	103,650	85,985
	Qtr IV	871,098	106,328	87,745
1998	Qtr I	881,347	108,143	87,561
	Qtr II	892,438	110,432	89,118
	Qtr III	903,909	111,517	90,731
	Qtr IV	940,081	118,209	91,440
1999	Qtr I	946,727	117,162	95,254
	Qtr II	951,201	116,579	97,566

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

n.a. Not available

OTHER INDICATORS

DOD Prime Contracts a/

	$ millions	% of U.S.		$ millions	% of U.S.
1981-82	22,685	21.8	1990-91	24,265	19.5
1982-83	26,387	22.2	1991-92	23,843	21.2
1983-84	28,520	23.0	1992-93	22,952	20.1
1984-85	29,115	20.8	1993-94	22,573	20.5
1985-86	27,738	20.4	1994-95	18,277	16.8
1986-87	24,515	18.4	1995-96	18,230	16.7
1987-88	23,458	18.7	1996-97	18,477	17.3
1988-89	23,125	19.3	1997-98	17,401	15.9
1989-90	22,312	18.4			

a/ U.S. fiscal year: October through September

Foreign Trade through California Ports

	$ millions		$ millions
1998		1999	
Jan	24,636	Jan	23,484
Feb	23,778	Feb	23,751
Mar	26,921	Mar	26,988
Apr	25,220	Apr	25,670
May	24,566	May	25,717
Jun	26,028	Jun	27,897
Jul	25,158	Jul	27,901
Aug	25,358	Aug	28,956
Sep	25,710	Sep	29,309
Oct	27,217		
Nov	26,044		
Dec	25,610		

TECHNICAL NOTE

Economic Indicator Charts

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

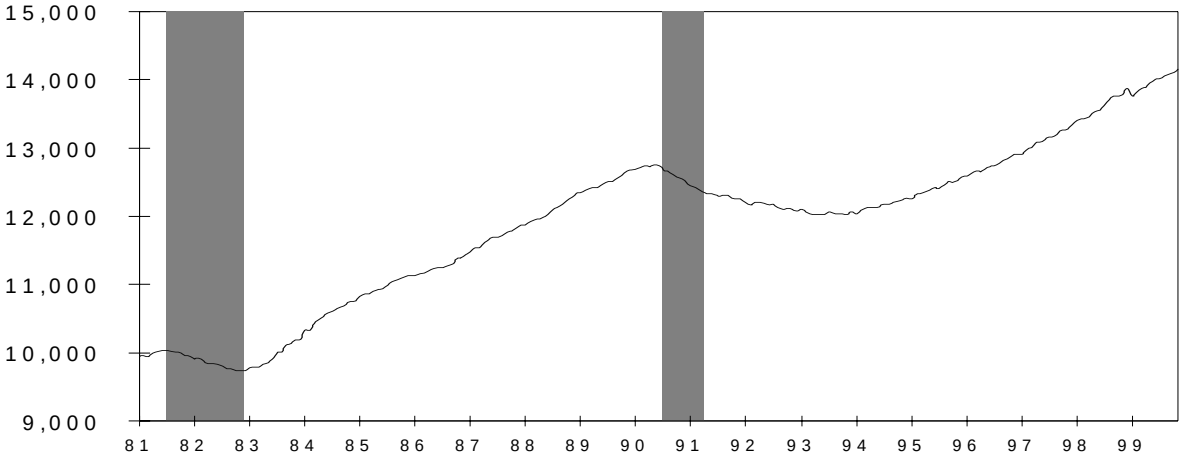
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

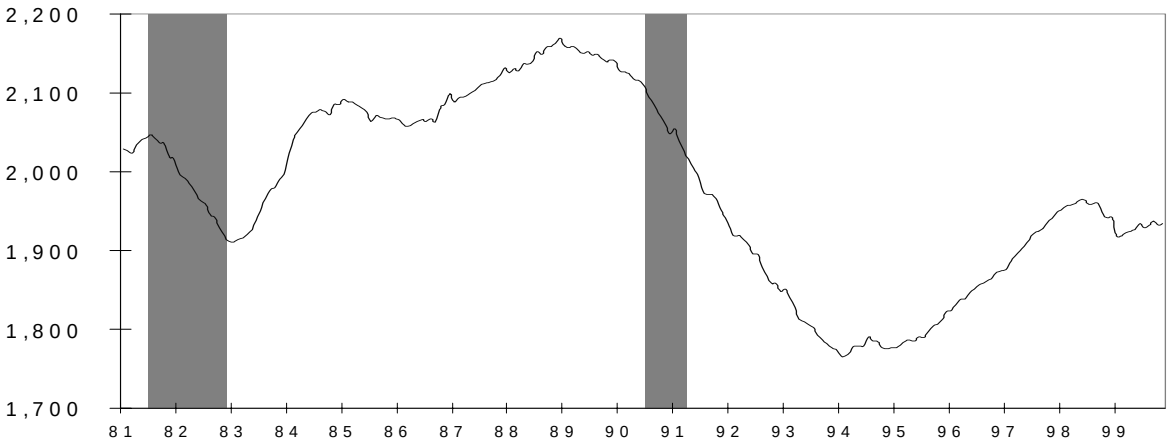
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

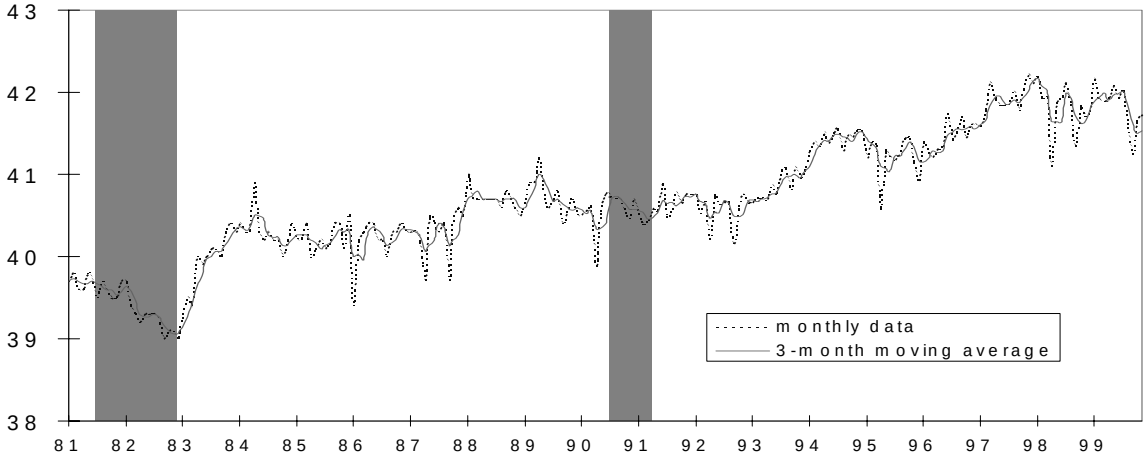
NONAGRICULTURAL EMPLOYMENT
(THOUSANDS, SEASONALLY ADJUSTED)



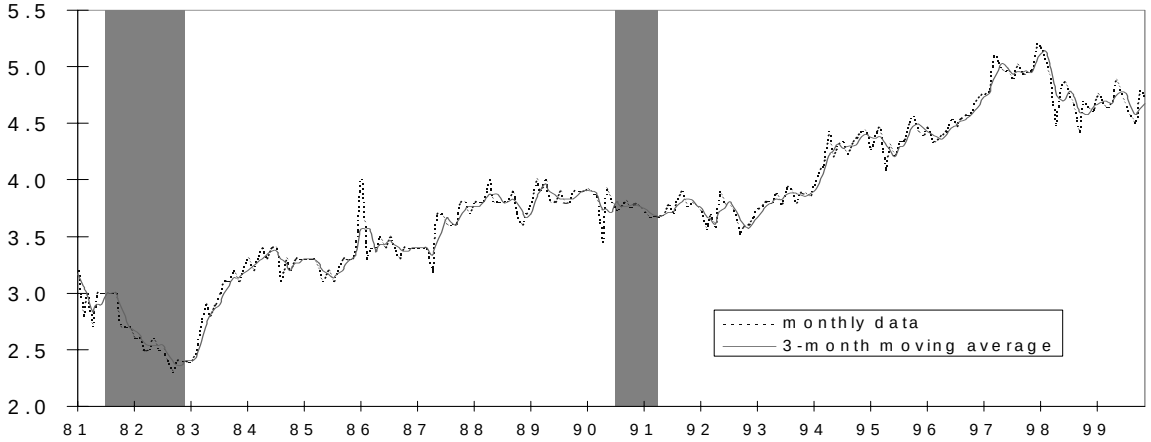
Manufacturing Employment
(Thousands, Seasonally Adjusted)



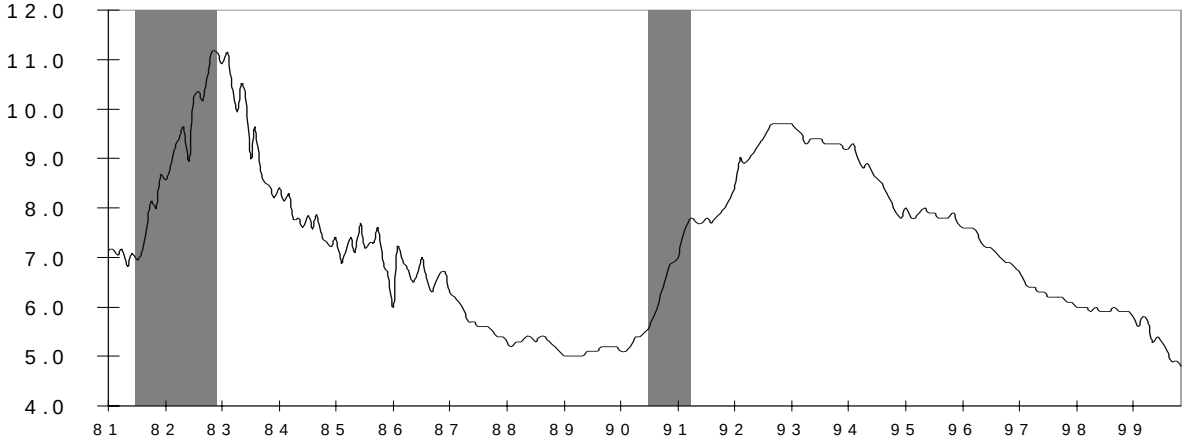
Average Weekly Hours, Manufacturing
(Seasonally Adjusted)



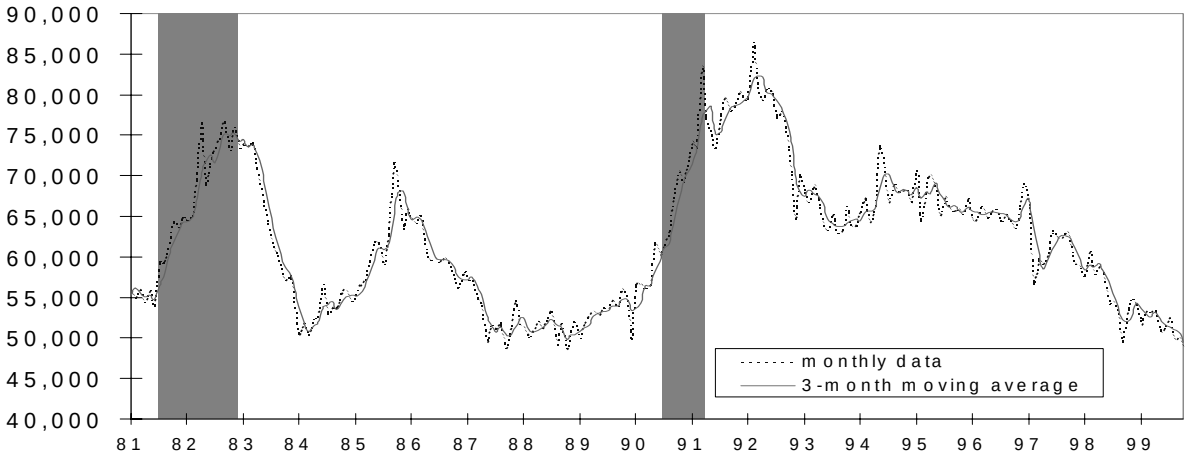
Average Overtime Hours, Manufacturing
(Seasonally Adjusted)



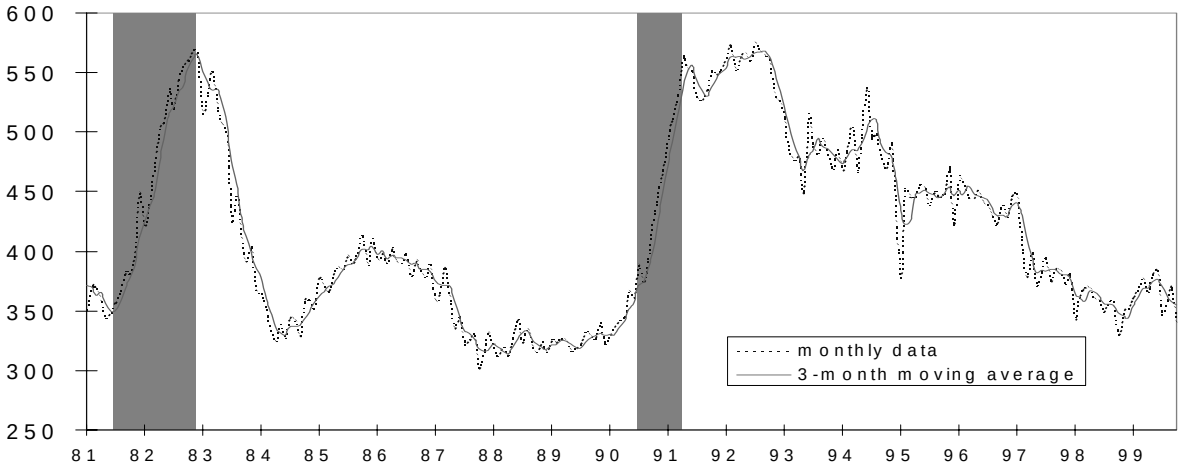
Unemployment Rate
(Percent)



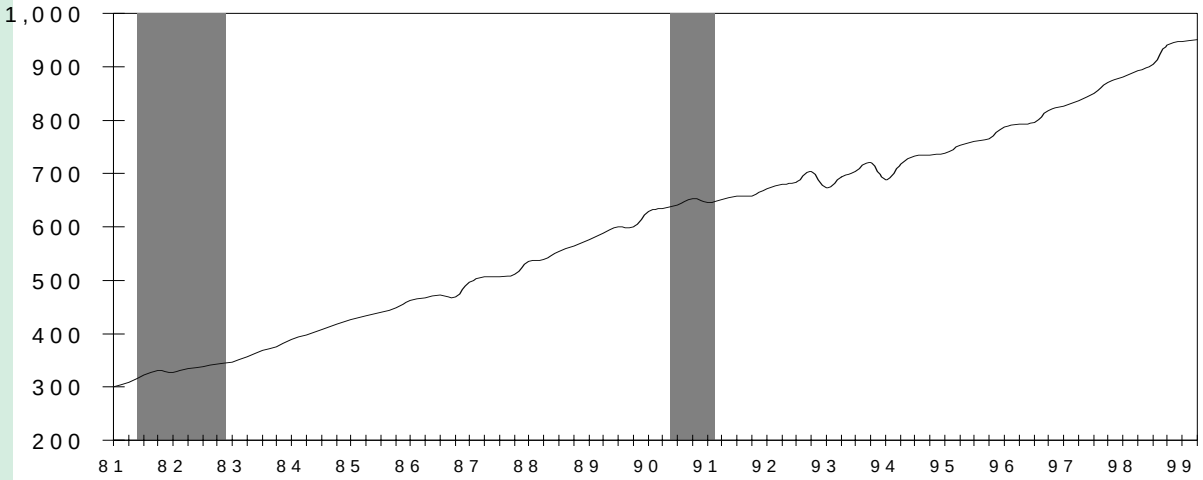
Initial & Transitional Claims for Unemployment Insurance
(Weekly Average, Seasonally Adjusted)



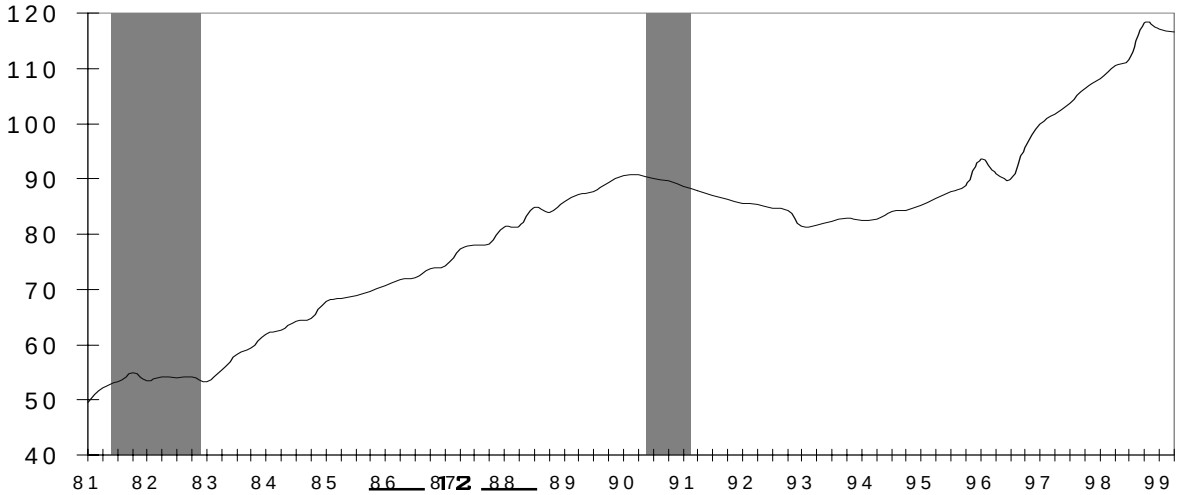
Unemployment, Average Weeks Claimed
(Thousands, Seasonally Adjusted)



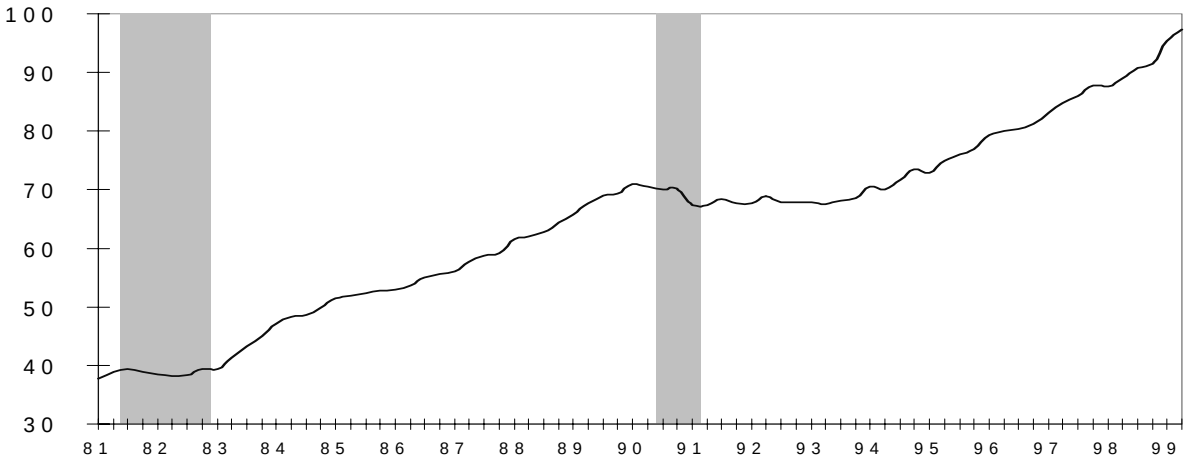
Personal Income
(Dollars in Billions, Seasonally Adjusted)



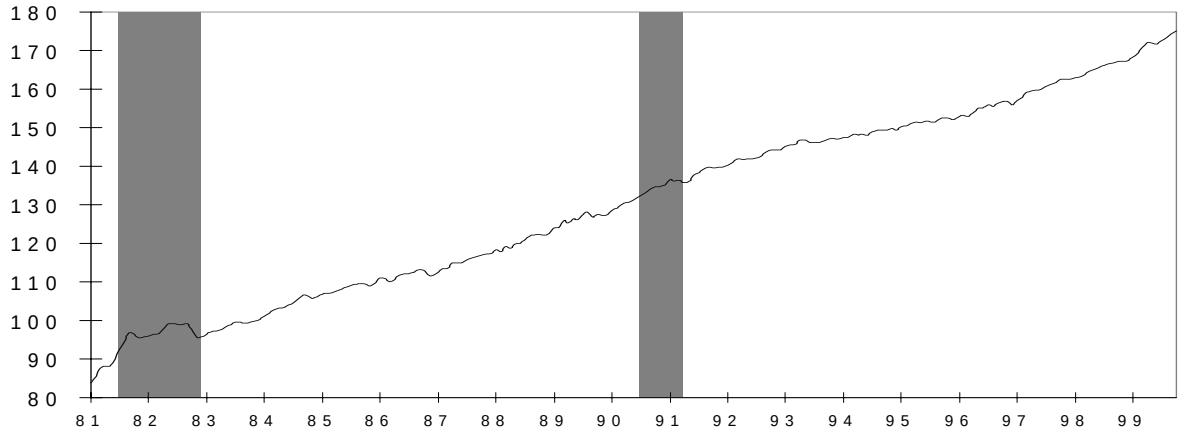
Wages and Salaries in Mining, Construction and Manufacturing
(Dollars in Billions, Seasonally Adjusted)



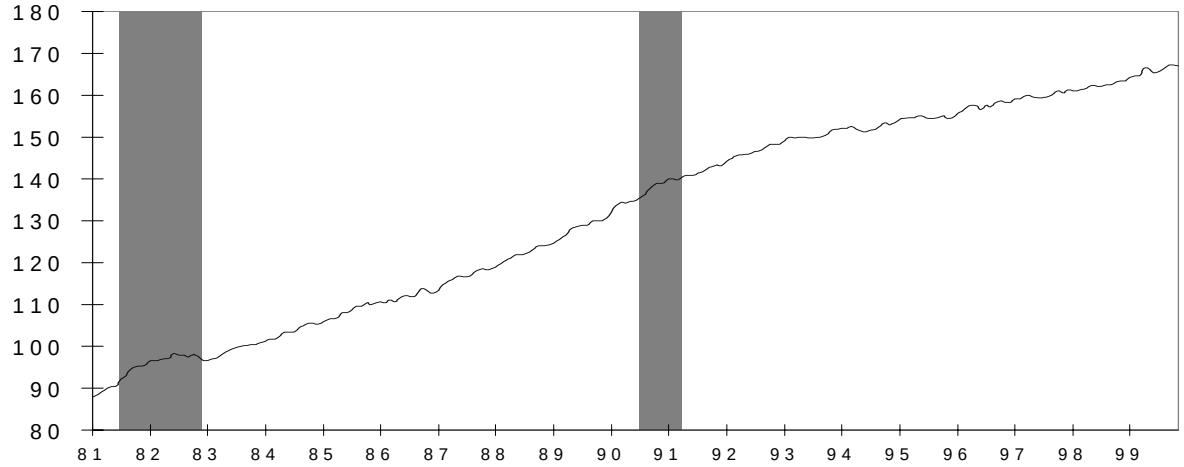
Taxable Sales
(Dollars in Billions, Seasonally Adjusted)



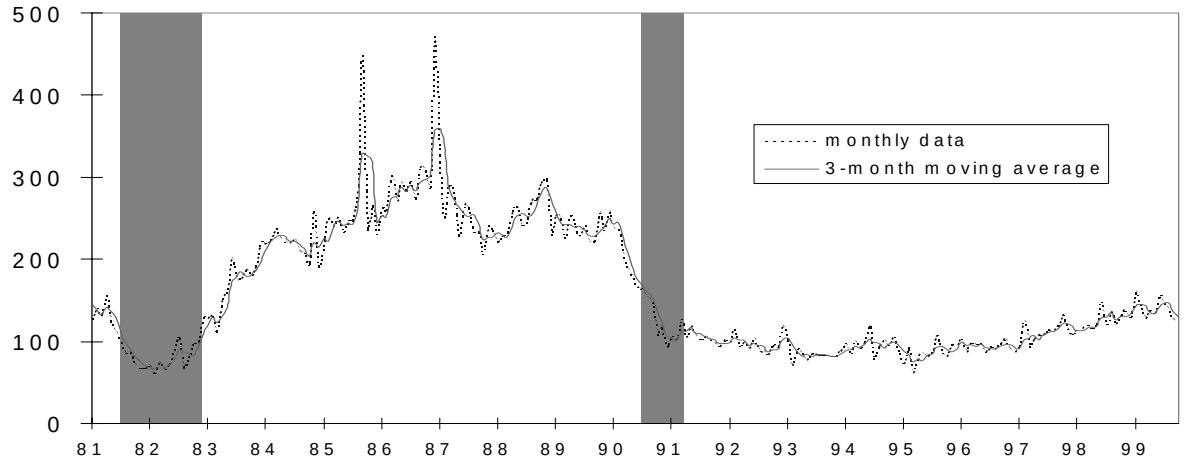
Consumer Price Index, San Francisco (1982-84=100)



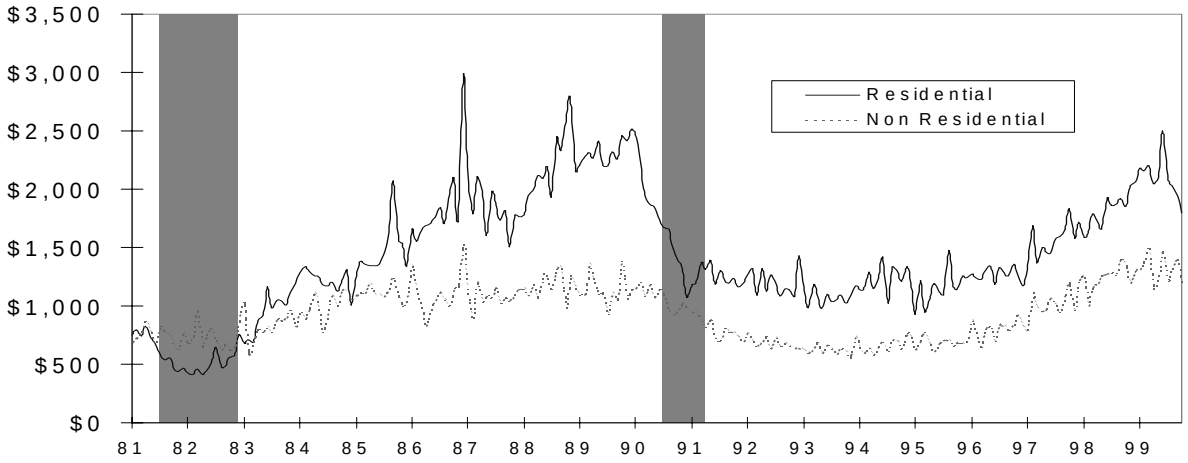
Consumer Price Index, Los Angeles (1982-84=100)



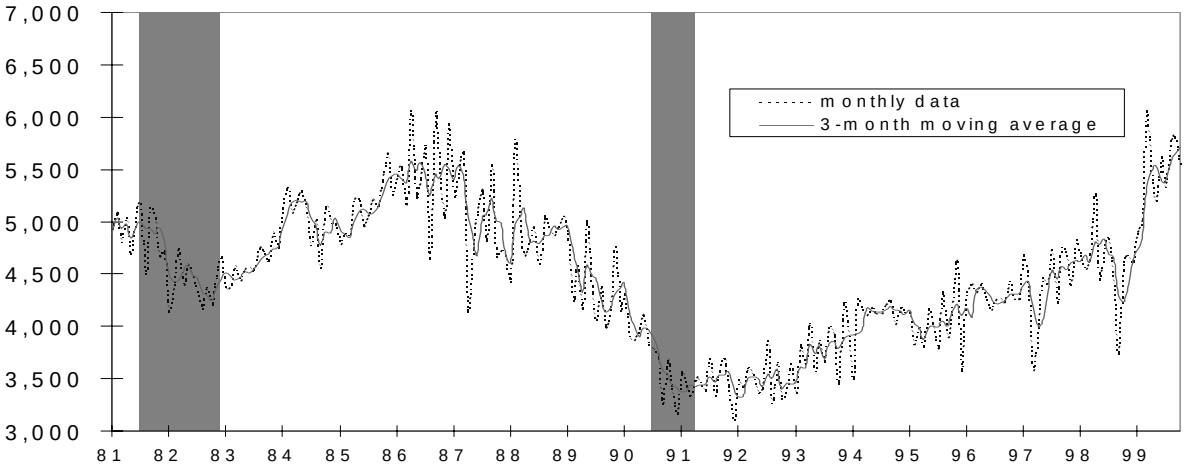
New Housing Units Authorized By Building Permits
(Thousands, Seasonally Adjusted at Annual Rate)



Residential & Nonresidential Building Permit Valuation
(Dollars in Millions, Seasonally Adjusted)



New Business Incorporations
(Seasonally Adjusted)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: **http://www.dof.ca.gov/**

1998

January 5	Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.
February 2	Standard and Poor's stock index passed the 1000 milestone for the first time.
February 27	Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.
March 1	California's minimum wage raised from $5.15 to $5.75.
Winter	El Nino-fueled storms caused widespread flooding and landslides in California. Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of $57.4 million so far.
March 19	The U.S. trade deficit for January widened to its worst level in six years.
March 20	Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.
March 24	Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.
March 30	OPEC agreed to cut crude-oil production by 1.25 million barrels a day.
April 6	Dow Jones Industrial average topped the 9000 mark.
April 8	Tornadoes swept the South causing death and significant property damage.
April 13	NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.

April 14	Intel announced that it will eliminate up to 3,000 jobs over the next six months.
April 22	National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.
May 6	Compaq plans to eliminate 15,000 jobs following its purchase of Digital Equipment
June 4	Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
June 5-July 28	United Auto Workers strike at General Motors.
June 8	Wells Fargo & Co. and Norwest agreed to merge.
June 12	California's unemployment rate fell in May to its lowest level in nearly 8 years.
June 18	Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
June 24	OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
June 26	El Niño damage to California's agricultural industry soars to $422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
June	Japan officially declares a recession.
June 29	Chinese and U.S. companies signed $1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
July 10	IMF agreed to provide Russia with an assistance package worth $14 billion.
July 16	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
August 13	Boeing to transfer selected 737 assembly processes to Long Beach, California.
August 14	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
August 17	Golden State Bancorp and California Federal Bank agreed to merge.
August 31	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
September 2	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
September 15	Rockwell International Corp. to eliminate around 900 jobs.
September 17	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
September 21	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than $8 billion so far in the fallout from Russia's financial collapse.
September 29	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
October 2	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
October 6	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
October 7	Raytheon Co. to cut workforce by 14,000.
October 8	Packard Bell NEC to cut U.S. workforce by 20 percent.
October 12	Merrill Lynch will cut work force by 3,400 or 5 percent.
October 15	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.
October 30	Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
November 12	Brazil reached a pact with leading countries and lenders on a $42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.
November 17	Federal funds rate reduced from 5.00 to 4.75 percent. Discount rate reduced from 4.75 to 4.50 percent.
December 1	Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.

RETURN ADDRESS

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TO

December 2	NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
December 9	MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce. Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.

1999

January 1	A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
January 13	Brazil devalues its currency sending U.S. stocks into a free fall.
January 21	The 1998 trade deficit hit an all-time high of $175 billion, 58 percent more than the shortfall recorded in 1997.
March 22	OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
March 29	Dow Jones Industrial average topped the 10,000 mark.
April 9	The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.
June 29	Federal funds rate raised from 4.75 to 5.00 percent.
July 28	GDP rose 2.3 percent in second quarter.
September 21	A 7.6 magnitude earthquake hits Taiwan.
September 30	In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.
September 30	Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.
October 4	MCI WorldCom to buy Sprint.
October 13	Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.
October 15	California's unemployment rate dropped to 4.9 percent, the lowest since 1969.

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